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**DRUG TRAFFICKING AND THE NICARAGUAN
DEMOCRATIC RESISTANCE**

Trends in Central and South America

In recent years, the overwhelming majority of illicit drugs entering the United States from Latin America have originated in Mexico or South America. In Central America, Belize is a major marijuana producer, and there is some production of marijuana throughout the isthmus. With the exception of Belize, the only other Central American country which has been a substantial producer of illicit drugs is Panama. Thanks to the U.S. assisted eradication program, Panama's production has sharply declined. Guatemala and Costa Rica are marginal producers. Otherwise, the Central American countries have been associated with drug trafficking principally as transshipment points from the large producer countries on the continent of South America.

Panama is particularly important because of its strategic location between North and South America, and it serves as a transit point for licit and illicit international commerce. Cocaine and marijuana are routed through Panama from Colombia, Peru, and Bolivia to markets in the United States, and chemicals used in processing flow the other way. In addition, the sizeable international banking establishment in Panama--some 120 banks with deposits of over \$30 billion--is frequently used to launder large sums of money derived from drug traffic. To a lesser extent, other Central American countries have also been used as points for transshipment in both maritime and air traffic of drugs, and have attracted a certain amount of drug money.

Central America has not escaped the attention of international drug traffickers as a possible safehaven from law enforcement agencies. Costa Rica had been a favorite refuge for U.S. drug offenders, resulting in numerous extraditions to the United States of fugitives from justice. Mexican drug trafficker Rafael Caro Quintero, who was implicated in the murder of Drug Enforcement Agency Special Agent Enrique Camarena, also sought refuge in Costa Rica, but was captured and expelled to Mexico. Another well-known trafficker of Honduran citizenship, Ramon Mata Sallate, whose network involved operations in both Mexico and Colombia and who is also suspected of involvement in the Camarena murder, fled prosecution in other countries, escaped from jail in Colombia, and travelled to Honduras. He is currently under detention in

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Honduras pending prosecution. Most of the governments of Central America have a good record of prosecuting drug trafficking offenders and cooperating with the efforts of international law enforcement agencies to bring traffickers to justice in other countries.

In Nicaragua, however, a former Interior Ministry official has provided details on how Minister of Interior Tomas Borge provided Colombian traffickers with planes, refueling, and transshipment facilities. During a DEA investigation conducted in 1983-1984 photographs were obtained of Borge aide Federico Vaughan loading cocaine into a plane at the military airport in Managua. Vaughan was subsequently indicted in the Southern District of Florida for his involvement in smuggling cocaine into the United States.

Drug Traffic and Guerrilla Groups

Connections between guerrilla groups and drug trafficking in Latin America have been reported. In Colombia, active insurgent movements and terrorist groups have exacted funds from the drug trade. The longest such association -- dating from the early 1980s -- is with the Revolutionary Armed Forces of Colombia (FARC). The M-19, a group which gained particular notoriety in 1985 with its attack on the Palace of Justice in Bogota, has also developed ties with drug traffickers. In Peru, the major terrorist group, Sendero Luminoso, and Peruvian drug traffickers reportedly have made contact but not on any organized basis. They benefit from each others' activities in that both create an environment of lawlessness and stretch military and law enforcement resources.

With regard to the Nicaraguan democratic resistance groups, there has been no evidence that organizations associated with the major resistance umbrella group, the United Nicaraguan Opposition, have participated in or benefited from drug trafficking. There has been little incentive for traffickers to use resistance members within Nicaragua where they have not up to now controlled land, air, or sea routes of value to traffickers. The resistance organizations themselves have had few physical assets to complement the multiple assets already controlled by the Latin American traffickers. Instead, the available evidence points to involvement with drug traffickers by a limited number of persons having various kinds of affiliations with or political sympathies for resistance groups.

Following is a review of federal law enforcement and intelligence agencies' findings on the principal allegations of Nicaraguan democratic resistance groups' involvement in drug trafficking activities.

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The "Progan" Case

This case gets its nickname from swimmers who brought cocaine ashore on the West Coast from a Colombian vessel in January 1983. A lengthy investigation was conducted in 1982-1983 by a San Francisco Organized Crime Drug Enforcement Task Force. It focussed on a major Colombian cocaine smuggler, Alvaro Carvajal-Minota, who supplied a number of West Coast traffickers. It was alleged, but never confirmed, that Nicaraguan citizen Horacio Pereira, an associate of Carvajal, had helped the Nicaraguan resistance. Pereira was subsequently convicted on drug charges in Costa Rica and sentenced to twelve years imprisonment. Two other Nicaraguans, Carlos Cabezas and Julio Lavala, who were among the jailed West Coast traffickers convicted of receiving drugs from Carvajal, claimed long after their conviction that they had delivered large sums of money to resistance groups in Costa Rica and that Pereira, who was not charged in the case, had said the profits from the drug sales would finance resistance activities.

Lavala, convicted in 1983 on cocaine trafficking charges and now serving time in a federal penitentiary, was one source of a March 16, 1986 story in The San Francisco Examiner which reported that there were resistance ties to the drug ring. This was the first time Lavala made any mention of resistance involvement. Officials of the Justice Department subsequently reviewed the transcripts of some 11,000 wiretaps collected during this extensive investigation and found no mention of the Nicaraguan resistance or any resistance leader. The U.S. attorney in the case notes that Cabezas and Lavala did not use these issues as a defense in their trial or at sentencing, but waited two years before making these allegations, which, as indicated, could not be confirmed.

The Examiner story reported that the specific resistance group involved was the United Nicaraguan Opposition/Nicaraguan Revolutionary Armed Forces (UNO/FARN) headed by Fernando "Pro" Chamorro. The story also mentioned a Nicaraguan exile political group based in Costa Rica, the Conservative Party of Nicaraguans in Exile (PCNE) as the possible recipient of drug money -- through two of its officials, Francisco Aviles Saenz and Vicente Rappaccioli Marquis. Costa Rica is the political base for a number of Nicaraguan exile groups. Unlike the FARN, the PCNE is a civic organization with no known ties to any group in the armed Nicaraguan opposition, although individual members may be sympathetic toward or supporters of the groups.

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The head of the UNO/FARN, Fernando Chamorro, has categorically denied that he or his organization have been involved in the drug trade, and depied that Francisco Aviles Saenz has acted, as alleged, as UNO/FARN's agent in such matters. Aviles reportedly joined the UNO/FARN in early 1984, but never occupied a leadership position. He did some legal work for the UNO/FARN in San Jose, Costa Rica, but he has never held the position of international secretary of the UNO/FARN as he apparently presented himself in a letter obtained by the Examiner. Upon being informed of Aviles' implication in the San Francisco case, UNO/FARN expelled him from the organization in March 1985.

DEA has examined allegations of linkages between members of the UNO/FARN and suspected traffickers. It has found no information indicating that members of this group have been involved in narcotics trafficking.

Pena-Cabrera

Two Nicaraguans were arrested in 1984 in another investigation of drug trafficking conducted in San Francisco. One of them, Renato Pena-Cabrera, claimed at the time of his arrest that he was a volunteer worker for the San Francisco-based Nicaraguan Democratic Front (FDN). DEA has found no evidence that Pena and his associate were engaged in drug trafficking at the direction of the San Francisco-based FDN, nor for that matter any connection between the San Francisco-based FDN and the FDN which is the largest resistance group fighting in Nicaragua.

Cuban-American Connection

There have been allegations that Rene Corvo and other Cuban-Americans involved in anti-Sandinista activities in Costa Rica were connected with Miami-based drug traffickers. Corvo reportedly recruited a group of Cuban-American and Cuban exile combatants and military trainers in the Miami area who operated inside Nicaragua and in the northern part of Costa Rica. Two Cuban exiles in this group, Mario Rojas Laves and Ubaldo Hernandez Perez, were captured by the Sandinistas in June 1986. They were reportedly members of the UNO/FARN group headed by Fernando "Negro" Chamorro. There is no information to substantiate allegations that this group from Miami has been a source of drug money for the UNO/FARN or any other resistance organization.

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Sandinista Revolutionary Front (FRS)

Information developed by the intelligence community indicates that a senior member of Eden Pastora's Sandinista Revolutionary Front (FRS) agreed in late 1984 with a Colombian narcotics trafficker that FRS pilots would aid in transporting narcotics in exchange for financial assistance. According to this information, the FRS officer agreed to the use of FRS operational facilities in Costa Rica and Nicaragua to facilitate transportation of narcotics. The Colombian trafficker agreed to provide financial support to the FRS, in addition to aircraft and training for FRS pilots. After undergoing flight training, the FRS pilots were to continue to work for the FRS, but would also fly narcotics shipments from South America to sites in Costa Rica and Nicaragua for later transport to the United States. Shortly thereafter, the Colombian reportedly provided the FRS one C-47 aircraft and two crated helicopters. He is reported to have paid the sum of \$100,000 to the FRS, but there is no information available on who actually received this money. Supposedly he promised to pay an additional \$200,000 per month once the narcotics shipments began, but there is no indication that this sum was ever delivered.

Only one incident of drug trafficking is known to have resulted from this agreement. A FRS pilot, Gerardo Duran, was arrested in January 1986 in Costa Rica for alleged involvement in transporting cocaine to the United States. DEA has been unable to substantiate allegations linking Eden Pastora directly with these activities. In a meeting with Secretary of State Shultz on March 7, Pastora categorically denied any involvement by himself or by his organization in drug trafficking. The Secretary reiterated the U.S. position that no resistance group would receive any U.S. assistance if it retained within its ranks any member who has engaged in drug trafficking.

Two individuals, who were members of or were affiliated with the Democratic Revolutionary Alliance (ARDE), the umbrella group to which the FRS belonged, were involved in small scale seizures of illicit drugs, one in Guatemala and one in Costa Rica, but there is no information to indicate that ARDE leaders or the organization itself were involved in narcotics trafficking.

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